

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
PA-01 PRS-01 L-03 H-01 /096 W
-----120431Z 126371 /67

R 111401Z MAR 77

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 2558

AMEMBASSY ROME

AMCONSUL MILAN

INFO AMEMBASSY BERN

AMEMBASSY GUATEMALA

AMEMBASSY NASSAU

AMEMBASSY PANAMA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EFIN, PINR, IT, NU

SUBJECT: NICARAGUA SEEKS TO BECOME BANKING CENTER

BEGIN SUMMARY: NICARAGUA APPARENTLY HOPES TO CASH IN ON DESIRE OF CERTAIN INVESTORS AND FINANCIERS TO PLACE FUNDS IN PROTECTED, SECRET ACCOUNTS. A BILL IS NOW BEING RUSHED THROUGH NICARAGUAN LEGISLATURE, WHICH WOULD AUTHORIZE ESTABLISHMENT OF BRANCHES AND SUBSIDIARIES OF LARGE OVERSEAS BANKS UNDER CONDITIONS WHEREBY THOSE APPENDAGES CAN CONDUCT INTERNATIONAL TRANSACTIONS IN RELATIVELY UNFETTERED, TAX-FREE AND SECRETIVE ENVIRONMENT. FIRST CANDIDATE FOR PROTECTION OFFERED UNDER PROPOSED LAW WILL REPORTEDLY BE BANCO AMBROSIANO WHICH ALLEGEDLY HAS ARAB FINANCIAL BACKING. ACTION REQUESTED: WOULD APPRECIATE CONFIRMATION OF LATTER BANK'S INTENTIONS AND OF ITS PURPORTED
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ARAB CONNECTION. END SUMMARY.

1. LOWER HOUSE OF NICARAGUAN LEGISLATURE APPROVED ON MARCH 9 A BILL WHICH WILL ENABLE FOREIGN BANKS TO SET UP BRANCHES OR SUBSIDIARIES IN NICARAGUA TO CONDUCT INTERNATIONAL BANKING OPERATIONS THROUGH SECRET, PRESUMABLY NUMBERED ACCOUNTS, A LA SWITZERLAND, BAHAMAS AND PANAMA. THE BILL IS CERTAIN TO OBTAIN SENATE APPROVAL AND BECOME

LAW SHORTLY, PROBABLY WITHOUT SUBSTANTIAL MODIFICATION.

2. SOME OF BILL'S MORE INTERESTING PROVISIONS ARE:

(A) A FINANCIAL INSTITUTION WHICH SEEKS TO SET UP OPERATIONS IN NICARAGUA UNDER THIS LAW MUST HAVE ASSETS WORTH THE EQUIVALENT OF \$1 BILLION RPT BILLION. BRANCHES SET UP IN NICARAGUA MUST HAVE MINIMUM CAPITALIZATION OF \$10 MILLION AND SUBSIDIARIES, \$20 MILLION.

(B) SUCH OPERATIONS MAY NORMALLY DO BUSINESS ONLY WITH INDIVIDUALS OR ENTITIES NOT DOMICILED IN NICARAGUA. WHEN LOANS ARE GRANTED TO NICARAGUANS, HOWEVER, SUCH LOANS ARE TO BE REGARDED AS FOREIGN LOANS.

(C) MINISTRY OF ECONOMY MAY ISSUE OPERATING LICENSES VALID FOR NOT LESS THAN 20 YEARS, SUBJECT TO ANNUAL FEES OF UP TO \$100,000.

(D) DEALINGS IN ASSETS AND LIABILITIES ARE TO BE FREE OF GOVERNMENTAL CONTROL, EXCEPT FOR CERTAIN PROVISIONS CONTAINED IN THE DRAFT LAW.

(C) FUNDS MAY BE TRANSFERRED ONLY WHEN DENOMINATED IN FOREIGN CURRENCIES AND MUST BE TRANSMITTED VIA TELECOMMUNICATIONS MEDIA AND THROUGH BANKS LOCATED ABROAD.

(F) MONEY TRANSFERS ARE NOT SUBJECT TO EXCHANGE CONTROLS, STAMP TAXES, OR GOVERNMENTAL COMMISSIONS. PROFITS ARE FREE OF ALL TAXES.

(G) IT IS A CRIMINAL ACT, SUBJECT TO PENALTIES, TO DIVULGE ANY INFORMATION ABOUT CLIENTS OF BANKING OPERATIONS SET UP UNDER THIS LAW. NO FISCAL AUTHORITY MAY SOLICIT INFORMATION ABOUT THE BANK'S OPERATIONS OR THEIR CLIENTS. BANKS MUST, HOWEVER, PRESENT ANNUAL AUDIT REPORTS PREPARED BY A REPUTABLE INTERNATIONAL AUDITING FIRM.

3. DR. CORNELIO H. HUECK, PRESIDENT OF CHAMBER OF DEPUTIES AND LEADER OF PRESIDENT SOMOZA'S RULING LIBERAL PARTY, REPORTEDLY TOLD PRESS CONFERENCE MARCH 9 THAT THERE ARE MANY INTERNATIONAL FINANCIAL LIMITED OFFICIAL USE

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INSTITUTIONS WHICH WANT TO SET UP OPERATIONS IN NICARAGUA AND WHICH NEED THE PROTECTION WHICH THE PROPOSED LAW OFFERS. ONE DEPUTY DISCLOSED THAT BANCO AMBROSIANO OF ITALY PLANS TO TAKE ADVANTAGE OF THE NEW LAW BY SETTING UP OPERATIONS IN MANAGUA AS OF MARCH 23.

4. COMMENTS: EMBASSY SEEKING TO LEARN MORE ABOUT THIS DEVELOPMENT. MEANWHILE, WE WOULD NOTE THAT DR. HUECK, WHO SEEMS TO BE THE MAIN LEGISLATOR BEHIND THE DRAFT BILL, WHICH WAS RUSHED THROUGH THE LOWER HOUSE, IS A CLOSE POLITICAL ASSOCIATE OF PRESIDENT SOMOZA. EUGENE DUDKIEWICZ, AMCIT, HEAD OF BANCO DE CENTROAMERICA, AND ONE OF PRESIDENT SOMOZA'S KEY BUSINESS ADVISORS, REPORTEDLY VISITED MADRID AND ITALY IN JANUARY (MANAGUA 214, NOTAL). RUMOR HAS HAD IT THAT DUDKIEWICZ CONSULTED WITH VARIOUS ITALIAN BANKS WHILE IN MILAN AND THAT DUDKIEWICZ HAS BEEN SOMOZA'S AGENT IN EXTENDING FEELERS TO UNIDENTIFIED ARAB INVESTORS. A SOURCE IN MINISTRY OF ECONOMY INFORMED US MARCH 10 THAT "ARAB MONEY" IS BEHIND BANCO AMBROSIANO. EMBASSY WOULD APPRECIATE CONFIRMATION FROM MILAN OR ROME AS TO WHETHER BANCO AMBROSIANO PLANS TO SET UP BRANCH IN NICARAGUA AND WHETHER THERE ARE ANY INDICATIONS OF ARAB FINANCIAL INVOLVEMENT IN THAT BANK.

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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TAGS: EFIN, PINR, IT, NU
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